BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN

Application of Milwaukee Water Works, Milwaukee County,
For Authority to Increase Water Rates — Docket No. 3720-WR-108

REPLY BRIEF OF WHOLESALE CUSTOMERS

MWW's Wholesale Customers have crystallized their positions on the issues as a result of the testimony submitted and provided at the public hearing on MWW's rate increase request, and the initial round of briefs filed by the parties. The Wholesale Customers' positions on the issues are as follows:

- Transmission and distribution main capital costs should be allocated based on MWW's actual costs;
- MWW's peak hour system ratio should be adjusted to reflect actual peak hour system water demand;
- The retail demand ratios approved in MWW's last case should continue to be used and weighted heavily in this case;
- MWW should be required to continue to collect water use data from its retail customers for use in determining retail demand ratios in the future;
- The Wholesale Customers' maximum day demand ratios should be based on a six-year average (2008-2013) of annual maximum day demand ratios using MWW metered data supplemented by the Wholesale Customers' system data;
- The Wholesale Customers will not object to basing the Wholesale Customers' maximum hour demand ratios on MWW's proposed maximum hour ratios;
- MWW's proposed rate of return and the return on equity available to the City of Milwaukee should be reduced;
- MWW's request for a differential rate of return from the Wholesale Customers should be denied; and
- The allocation of public fire protection charges to the Wholesale Customers should be eliminated.

I. TRANSMISSION AND DISTRIBUTION MAIN CAPITAL COSTS SHOULD BE BASED ON ACTUAL COSTS

The allocation of costs to the Account 343 transmission and distribution main subaccounts is not a choice between two equally valid methods as MWW seems to suggest. It is an accounting task based on actual data collected and maintained by MWW. Only if actual cost data is not available should an approximation methodology be used to allocate Account 343 costs. This was discussed in the most recent edition of AWWA's M1 manual of practice, *Principles of Water Rates, Fees and Charges* (6th Edition) (hereafter "AWWA M1 Manual"), in the chapter on Outside-City and Wholesale Rates:

> *Given information on pipelines that serve transmission versus distribution functions, the* ***associated costs of these assets may be ascertained from the fixed asset records*** *of the utility (if these records distinguish asset costs by pipe size). Alternatively, the proportionate shares of diameter-weighted lengths of pipelines* may be used* ***to estimate*** *(and allocate to customer classes) the capital and O&M costs associated with the transmission systems compared to the entire transmission and distribution system. However, care also needs to be taken in using this method because* ***the diameter and the value of the mains may not have a direct relationship*** *in that the age and net book value of the assets may vary significantly by size.* (emphasis added)(AWWA M1 Manual, p. 168)

MWW's witnesses contend that an estimation methodology would be more "equitable" than using MWW's actual costs to allocate transmission and distribution main capital costs. MWW's witnesses are simply not credible on this point, as the use of actual accounting information is recognized in the industry as the preferred method of allocating transmission and distribution capital costs. In the AWWA publication, *Water Rates, Fees, and The Legal Environment,* which was contributed to by MWW witness Peiffer Brandt and cited to by MWW witness John Wright, the allocation of costs between transmission main and distribution main was discussed in depth, and the use of actual accounting data was recognized as the preferred method to allocate transmission and distribution main costs.

> *One area of difficulty in the study was the determination of the net book value (NBV) of transmission assets versus those for distribution assets. In this regard, the Company's fixed asset accounting was not adequate, and certain other measures were required in order to estimate the value of each of the two major asset classes. . . .*
>
> *While the above method is not ideal – actual accounting data would have been preferred – it was, however, reasonable for the purposes of this study.* (*Id.* at p. 105.)

Not only is MWW's proposed estimation approach an inferior method of allocating costs, it also unfairly -- and purposely -- shifts a substantial amount of costs to the Wholesale Customers. Under MWW's proposed approach, over $27.6 million more in capital costs would be allocated to the Wholesale Customers' rate base – resulting in a $380,000 shift of revenue responsibilities from retail to wholesale customer classes - on the basis of an assignment of costs that the Wholesale Customers undeniably did not cause MWW to incur. (Direct-Wholesale Customers-Planton-8, lines 1-3.) It is hard to see any situation under which this result could be claimed to be "equitable." The Commission should reject MWW's proposal, and continue to allocate transmission and distribution main costs based on MWW's actual accounting records.

II. MWW'S PEAK HOUR SYSTEM RATIO SHOULD BE REVISED

MWW's maximum hour system demand has been calculated erroneously as demonstrated in the Wholesale Customers' Initial Brief. The Wholesale Customers' witness Christopher Kaempfer demonstrated the error based on 2012 data. Based on MWW's response to Mr. Kaempfer's testimony, it appears likely that MWW has consistently miscalculated its maximum hour system demand ratios for all years by not including gravity flows into the MWW system from its elevated storage tanks in its determination of its maximum hour. This miscalculation would result in lower maximum hour system demand ratios for MWW – and a lower allocation of costs to the extra capacity maximum hour function.

The Commission should require MWW to correct its calculation of its maximum hour going back to 2007 to include flows from elevated storage tanks. Revised maximum hour demand ratios for the years 2007 through 2012 should be calculated, along with a new six-year average. This new system maximum hour ratio should then be used in MWW's cost of service study so that costs are fairly allocated to the extra capacity maximum hour function.

III. RETAIL DEMAND RATIOS APPROVED IN MWW'S LAST CASE SHOULD CONTINUE TO BE USED AND WEIGHTED HEAVILY

The Commission has the discretion to establish customer class demand ratios taking into account the strengths and weaknesses of all available information. The Wholesale Customers maintain that MWW's current retail demand ratios are reasonable. They have been approved by the Commission in the past. They are consistent with, and comparable to, customer class demand ratios for larger water systems throughout Wisconsin. Compared to other large Wisconsin water utilities, MWW's current maximum day ratios for MWW's retail customers are on the low end, while current maximum hour ratios are on the high end.[1]

The Wholesale Customers contend that basing retail demand ratios solely on the data collected by Trilogy would ***not*** be reasonable. As discussed in great length by the Wholesale Customers' witnesses and in the Wholesale Customers' Initial Brief, the data that Trilogy collected is not representative of MWW's retail customer classes, and is not comparative across customer classes. In addition, flawed assumptions -- like using a seasonal ratio for the system instead of for the customer class – were used in deriving the ratios themselves. As a result, the demand ratios MWW proposes based on Trilogy's data fail to appropriately or fairly reflect each customer class' relative contribution to system peak demands.

[1] In the last MWW rate case, PSC staff Andrew Behm recommended lowering MWW's retail maximum hour ratio (but not the maximum day ratio). The Wholesale Customers did not object to this proposal. The Commission, however, elected not to adjust MWW's retail maximum hour ratio in the last rate case.

After looking at the strengths and weaknesses of all available information, the Wholesale Customers ask that the Commission exercise its discretion and defer revising MWW's retail customer class demand factors until additional representative and comparative data is collected which would support a revision in customer class demand factors. Future data collection efforts should be easier. MWW has undertaken a new automatic meter reading program. New residential meters, which can be read from outside of the residence, are being installed throughout MWW's retail area. (Tr. at Vol. 2, p. 62, lines 17-25.) Information should be able to be more easily collected from a larger more representative group of customers over a longer period of time.

The Wholesale Customers understand -- given the testimony of PSC staff witness, Denise Schmidt -- that the Commission may consider revising MWW's current retail demand factors to acknowledge the time and expense of the demand study work that MWW has incurred. However, the mere fact that MWW spent time, money and effort on the demand study, neither rehabilitates the study from the fundamental flaws identified in testimony and briefs, nor justifies the acceptance of MWW's proposed retail demand factors. Furthermore, if the Commission approves MWW's proposed retail demand factors, there will be no reason for MWW to continue to monitor the demands of its retail customers - which is what is needed to develop a robust and reliable data set - because future monitoring would be unlikely to result in lower retail customer demand ratios.

If the Commission determines that some weight should be given to MWW's demand study, the Wholesale Customers ask that this weight be modest. For example, a reasonable compromise might be for the Commission to approve revised demand factors based 80% on current demand factors and 20% on MWW's proposed demand factors. This weighting would

provide recognition of MWW's efforts on the demand study, while also recognizing the significant problems with the demand study identified by the Wholesale Customers. This weighting could be combined with recommendations for additional data collection which could be used to support a request from MWW for future revisions in its retail demand factors.

This type of compromise result would revise retail demand ratios in the direction proposed by MWW and provide an incentive for MWW to continue to collect data on retail water usage. This additional data would be available for assessing and adjusting retail demand ratios as appropriate in the future. And, if done in conjunction with wholesale monitoring, and engaging respective stakeholders in a collaborative effort to secure truly representative and comparative data, this data could diminish the basis and likelihood of future disputes over demand factor assignments. Without this type of incentive, it appears unlikely that MWW would continue to collect demand data on its retail water use in the future.

IV. WHOLESALE MAXIMUM DAY DEMAND RATIOS SHOULD BE BASED ON A SIX-YEAR AVERAGE OF ANNUAL MAXIMUM DAY DEMAND RATIOS

With regard to wholesale demand ratios, the Commission needs to consider the issue of wholesale maximum day ratios and wholesale maximum hour ratios separately. The Wholesale Customers address the issue of wholesale *maximum day* ratios in this Section and the issue of wholesale maximum hour ratios in the next Section of this Reply Brief.

In the last rate case, the Wholesale Customers' maximum day demand ratios were based on actual metered data. The Wholesale Customers support continuing to base their maximum day demand ratios on actual metered data. The issues regarding the Wholesale Customers' maximum day demand ratios appear to be (1) whether to calculate maximum day demand ratios on an annual calendar year basis, (2) which years to use in the calculation, and (3) what data to use. First, with respect to whether to calculate maximum day demand ratios on an annual

calendar year basis, the Wholesale Customers strongly support calculating maximum day demand ratios on an annual calendar year basis. This is standard practice in Wisconsin and there is no reason not to continue to do so in this case. Using an annual calendar year basis to calculate demand ratios promotes consistency and fair treatment among all customers. Second, with respect to which years to use in the calculation, the Wholesale Customers propose using six years of metered data – from 2008 to 2013 – for the maximum day ratio calculation. Using six years of data helps to smooth out seasonal and year-to-year variations. Six years is also what MWW used to develop its system demand ratios. It would be fair to establish Wholesale Customers' maximum day ratios on the same basis. Third, with respect to what data to use, the Wholesale Customers have no objection to using MWW metered data when available. However, where MWW metered data is not available, it should be supplemented with the Wholesale Customers' data, as reported in their PSC Annual Reports so that annual averages can be calculated. MWW metered data and the Wholesale Customers' data is not so different on an annual average basis or on a maximum day basis that it makes a material difference in the ratios.

V. NO OBJECTION TO THE USE OF MWW'S MAXIMUM HOUR DEMAND RATIOS FOR THE WHOLESALE CUSTOMERS

Wholesale *maximum hour* ratios are addressed in this Section of the Reply Brief. In the last rate case, the Wholesale Customers' maximum hour demand ratios were based on an assumption because no metered maximum hour data was available. In this current rate case, the Wholesale Customers originally took the position that this assumption should continue to be applied. However, the Wholesale Customers are now willing to agree (for this case only) to MWW's proposed maximum hour ratios for the Wholesale Customers. In future cases, the Wholesale Customers expect to ask that their maximum hour demand ratios be based on six years of data like their maximum day demand ratios.

VI. MWW'S PROPOSED RATE OF RETURN AND RETURN ON EQUITY SHOULD BE REDUCED

Because of MWW's atypical capital structure (92.2% equity/ 7.8% debt, per PSC's Kathleen Butzlaff), MWW's proposed 5.38% rate of return is too high and should be reduced. A 5.38% rate of return would result in a return of approximately $18.07 million (or approximately 20% of MWW's total revenue requirements), with only approximately $1.4 million of that amount budgeted for 2014 interest payments. That means that the 5.38% rate of return would yield over $16.7 million in return on equity. (Direct-Wholesale Customers-Rothstein-18, lines 7-22.) This issue was addressed extensively by the Wholesale Customers' expert, Eric Rothstein. MWW only spent one page addressing this issue in its Initial Brief.

MWW contends this 5.38% return is consistent with "the PSC's capital-structure neutral approach" to establishing rates of return. As Mr. Rothstein detailed in his testimony, however, the Commission's past use of this "capital neutral" approach bears reconsideration. (Surrebuttal-Wholesale Customers-Rothstein-5, lines 7-10.) As Mr. Rothstein queries:

> *Is it reasonable for MWW to earn over $16 million in return on its municipal equity? In answering this question, it behooves the Commission to eschew application of its standard "benchmarks" and to recognize the implications of MWW's atypical capital structure. When it comes to determining reasonableness, capital structure matters.* (Rebuttal-Wholesale Customers-Rothstein-3, lines 10-13.)

In his direct testimony, Mr. Rothstein spends over five pages testifying about why MWW's capital structure matters, why MWW's proposed 5.38% rate of return is too high, and why his proposal for a 3.55% return is reasonable. (Direct-Wholesale Customers-Rothstein-16-21.)

In response to MWW's contention that the 5.38% rate of return is needed to generate cash to fund its infrastructure program, Mr. Rothstein is blunt:

> *The contention that MWW's rate increase application is required in order to generate more funds to invest in infrastructure is simply nonsense. MWW could easily generate multiples of its planned annual investment in infrastructure with the incurrence of debt.*

> *The issuance of debt for infrastructure investment would only mitigate the striking imbalance of MWW's current capital structure.* (Rebuttal-Wholesale Customers-Rothstein-6, lines 3-7.)
>
> *MWW's allegiance to cash financing of water main replacements would not seem nearly so egregious if MWW was not seeking to impose unnecessary rate increases that, for its wholesale customers, are mostly in excess of 20%. MWW's claims of commitment to steady renewal and replacement would not ring nearly so hollow if MWW had not actually reduced its capital spending because of regulatory lag and lower than requested rate adjustments coming out of its prior rate case (Docket No. 3720-W-107) as noted by Anne Waymouth's testimony (Direct-PSC-Anne Waymouth-15, line 3 to -16, line15).* (Rebuttal-Wholesale Customers-Rothstein-7, lines 1-7.)

Instead, Mr. Rothstein suggests that:

> *a more strategic, well considered approach to capital financing that employs MWW's noteworthy financial and physical capacities would provide for fairer, more equitable rates for all MWW's customer classes.* (Rebuttal-Wholesale Customers-7, lines 13-16.)

Consistent with Mr. Rothstein's testimony, the Commission should look beyond its standard approach for evaluating MWW's proposed rate of return, and ask whether it is reasonable for MWW to earn over $16 million in return on its municipal equity, or whether fairer, more equitable results could be achieved by a change in MWW's capital financing approach. The Wholesale Customers maintains, in light of MWW's atypical capital structure, that it would be reasonable for the Commission to approve a lower rate of return for MWW.

VII. NO RATE OF RETURN DIFFERENTIAL SHOULD BE APPROVED

The Commission's position on rate of return differentials appears to have changed since MWW's 2010 rate case. No longer is it enough that a wholesale supplying utility wishes to lower its rate of return to its retail customers. In order to have a higher rate of return for its wholesale customers, a utility must, according to the Commission, "demonstrate the need for the differential, which may include a demonstration of the enhanced risk in serving its wholesale customers." Kenosha Rate Case, PSC Docket No. 2820-WR-106; PSC REF#: 188160.

MWW has failed to demonstrate the need, as opposed to the desire, for a differential rate of return from its Wholesale Customers. The primary reason MWW gives for the need for the differential is that MWW's contracts with its Wholesale Customers are not permanent and that therefore a Wholesale Customer could leave the MWW system. The fact that the wholesale contracts are not permanent, however, is not sufficient to justify a differential rate of return. MWW faces no "enhanced risk" in serving its Wholesale Customers.

The risks that MWW faces in serving its Wholesale Customers are no greater than the risks that MWW faces in serving its retail customers. While the Wholesale Customers are not bound to purchase water from MWW in perpetuity, neither are the retail customers. MWW's residential customers can move out of Milwaukee, and commercial and industrial customers can close or leave MWW. Indeed, Ex.-MWW-Lewis-1 shows that it has been MWW's industrial customers that have left or reduced their water use and that have posed the greatest risk to MWW's system. Wholesale use, by contrast, has been exceptionally stable. As a whole, wholesale sales have been more predictable and less variable than retail sales for MWW. (Rebuttal-Wholesale Customers-Behm-4-5.)

MWW also claims that if a Wholesale Customer would leave, MWW would be subjected to stranded costs. This argument is ironic given that it has been the departure of major industrial customers from MWW that has resulted in substantial excess capacity and stranded costs which the Wholesale Customers are now helping to pay. There is no evidence that the Wholesale Customers have caused MWW to build capacity which would be stranded.

MWW also claims its cash position and its need to cover extraordinary operating costs justifies the need for a differential. However if MWW had no wholesale customers at all, it would still need to establish an adequate cash position and cover extraordinary operating costs.

Owners of water systems face risks and they earn a return, in part, for bearing these risks – whether imposed by delivery of retail or wholesale service. The question is not whether MWW is entitled to a return, the question is whether MWW should earn a *higher* rate of return from Wholesale Customers than from retail customers. For the answer to this question, the salient point is that the Wholesale Customers impose *no greater risks* to MWW than retail customers, and arguably mitigate the risks that MWW faces for delivery of service to all its customers. The criteria of greater risk is exactly the test imposed by the Commission for Kenosha, when it determined that Kenosha incurs no greater risks in serving its wholesale customer Pleasant Prairie that it does in serving its retail customers.

MWW's request for a higher rate of return from its Wholesale Customers should be denied. MWW has not demonstrated any need or justification for a higher rate of return from its Wholesale Customers.

VIII. FIRE PROTECTION CHARGES TO THE WHOLESALE CUSTOMERS SHOULD BE ELIMINATED

MWW proposes charging the Wholesale Customers over $750,000 in public fire protection charges. (Ex.-MWW-Wright-2, Schedule 11A.) MWW claims that it has made "investments" to make fire protection available to the Wholesale Customers, but MWW has provided no evidence that it has done anything more than what would be necessary to provide the Wholesale Customers with maximum day demand (which is what the Wholesale Customers pay for under MWW's general service charges).

Furthermore, as the Wholesale Customers' experts testified, the Wholesale Customers do not need or benefit from any extra capacity MWW might make available for public fire protection purposes. As Patrick Planton testified at the hearing:

Just to re-enforce what my statement was before is that the wholesale customers really only need the maximum daily demand for supply. They don't need max day plus fire. They have their own systems that will provide for fire protection, storage and pumping in their distribution system. Likewise, they don't need maximum hour. That's also taken care of by their storage facilities, their ground reservoirs, pumping and distribution system, just max day. (Tr. at Vol. 2, p. 177, lines 3-12.)

MWW's Brief contends that the Wholesale Customers' argument is based on the most optimistic scenario: that the storage tanks are in service and full, and that the fire occurs when it is not a high demand time of day or year. This is not true, however, as Patrick Planton testified in response to questioning from MWW's attorney and MillerCoor's attorney.

Q. Are you saying that the wholesale customers don't need max day plus fire?

A. They don't. They need max day, that's it.

Q. What if the – does that assume that a fire occurs when the tanks are full?

A. Nope. My exhibits in my direct testimony elude to the fact that I went through a supply storage analysis for all eight of the wholesale customers, not including Mequon, and it shows how much water would be required for meeting that peak hour above the max day demand rate coming from Milwaukee. It also indicates how much fire protection would be needed.

Now the numbers I have in those tables are from the original cost of service, not with Mr. Shannon's up – additional 3,500 gallons per minute. But even so, you can see the vast amount of storage that's available, that they could meet a fire after exhausting their peak hour storage in their tanks.

That's how we size storage tanks as engineers. We look at what's needed to meet that peak hour above the maximum day demand flow coming into the system from wells or from surface water or from the wholesale supplier, and the I actually even added an addition 15 percent on top of that for operating their tanks with the pumps if they want to do a little bit of off-peak pumping, those kind of things, . . . (Tr. at Vol. 2, p. 179, line 5 to p. 180, line 8.)

In response to MillerCoor's attorney's questions, Mr. Planton testified:

Q. When you say that the wholesale customers don't need or don't depend on Milwaukee Water Works for max hour or for fire suppression - -

. . .

Q. . . . Doesn't that assume that at the time a fire breaks out, their storage tanks are full?

A. No. . . .

Q. Explain that.

A. I could probably illustrate it if I had a white board, but when you look at storage, there's really three categories of storage. When we look at sizing tanks, we look at sizing storage for a system. And this is redundant, but just bear with me. We look at the amount of water that's necessary for that peak hour event, late afternoon, early evening, middle of summer, when a community can only provide so much water on a daily basis, that average flow throughout the whole day. They're not going to size their supply facilities to meet that max hour, because they can take that water from storage.

. . .

. . . We can take water out of storage, and it can occur after we've had the peak hour period in the afternoon and we have a fire at 10 o'clock at night. There's still water in that storage tank. The storage tanks are not designed just for that peak hour amount, but the peak hour volume, the fire protection volume, then also another volume so they can run their pumps on and off over the top of the tank, how they turn on and off their booster pumps, their high service pumps.

So in answer to your question, Mr. Wilson, they can have a fire event after their maximum hour event has taken place and still have water leftover. And in Exhibit 6 or 7 of mine from my direct testimony shows that the vast majority of wholesale customers have an abundance of storage available in multiple facilities. . . . (Tr. at Vol. 2, p. 180, line 17 to p. 182, line 15.)

MWW argues that the Wholesale Customers rely on "supplementary water" from MWW because MWW water will be used to eventually fill the Wholesale Customer's storage facilities. This water, however, will be taken at normal, general consumption rates, and every gallon taken will be metered, billed and paid for. This is in contrast to water used for public fire protection in MWW's retail area which is required instantaneously and which is not metered or billed.

MWW also argues that it has substantial capacity that would be available to the Wholesale Customers in the event of a fire. However, the Wholesale Customers' expert, Christopher Kaempfer, confirmed in both his written testimony and his oral testimony at the hearing, that MWW's capacity provides the Wholesale Customers no fire protection benefit. While MWW has substantial capacity, it is not capacity that the Wholesale Customers can use

for fighting a fire. As Mr. Kaempfer stated at the hearing:

> *. . . we aren't disputing that Milwaukee has a huge system and has huge capacity to provide water in Milwaukee. We're saying that the wholesale customers don't -- Milwaukee doesn't provide the wholesale customers the ability to use the water. They all have pumps or flow control valves or pressure reducing valves that basically govern how much water can come into Milwaukee – or into those customers.* (Tr. at Vol. 2, p. 173, lines 10-18.)

> *. . . to me, this shows that Milwaukee has a very strong system, and they can deliver large quantities of water out to various points in their system, but it doesn't demonstrate the wholesale customers get any benefit from it.* (Tr. at Vol. 2, p. 174, line 25 to p. 175, line 4.)

MWW claims its capacity is an "insurance policy" for the Wholesale Customers. An insurance policy, however, has no value if it cannot be relied upon, and MWW General Manager Carrie Lewis has made it clear (outside of this rate case) that the Wholesale Customers cannot rely upon MWW for fire protection. In a March 2, 2011 letter, Ms. Lewis, told one Wholesale Customer that:

> *MWW, as the wholesale supplier of water to Greendale, will provide Maximum Day Flow. Any demands above Maximum Day Flow will remain the responsibility of Greendale.* (Ex.-Wholesale Customers-Kaempfer-1.)

Similarly, in a June 8, 2011 letter she stated:

> *MWW does not guarantee fire flow rates in water service agreements with wholesale customers. . . .*
>
> *Given that fire flow will not be guaranteed, Greendale will be satisfied with a guarantee of their second choice of 3.5 mgd and will design their facilities accordingly, with a larger elevated storage tank and decommissioning the ground storage and booster stations.* (Ex.-Wholesale Customers-Kaempfer-2.)

And, in an October 5, 2011 Feasibility Report prepared by MWW for enhanced water service to Greendale, MWW stated that:

> *For typical wholesale customers, the MWW's approach is to commit to providing water to meet the maximum day demand for the customer's service area. In this situation, the wholesale water utility is responsible for designing and maintaining their water system to*

provide peak hour and fire flow requirements to their customers that are approved by them. (Ex.-Wholesale Customers-Kaempfer-3, p.2.)

The Wholesale Customers are responsible for designing and maintaining their water system to provide peak hour and fire flow requirements to their customers, as MWW itself stated. The Wholesale Customers do not, and cannot, rely upon MWW for fire flows. The Wholesale Customers have therefore invested in storage facilities and other infrastructure to be able to provide their own fire protection. The Commission should recognize this investment and not allocate any of MWW's public fire protection costs to these Wholesale Customers.

CONCLUSION

MWW's proposed rate increase to the Wholesale Customers should be revised. As the Wholesale Customers have demonstrated, there is no reasonable justification for MWW's proposed increases to the Wholesale Customers which range from 16.5% to 39.94% while the overall rate increase is 9%. The disproportionately large increases that MWW seeks from the Wholesale Customers are not supported by the costs MWW incurs to serve the Wholesale Customers. MWW's requested rate increase should be adjusted as set forth in the Wholesale Customers' Briefs.

Dated this 21st day of July, 2014.

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